BRIDGEWAY HEALTH SOLUTIONS
OF ARIZONA, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Year Ended September 30, 2016

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CONTENTS

3101 N. Central Ave., Suite 300 ■ Phoenix, AZ 85012
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of ***Bridgeway Health Solutions of Arizona, Inc.***, which comprise the balance sheet as of September 30, 2016, and the related statements of comprehensive income, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Bridgeway Health Solutions of Arizona, Inc.*** as of September 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
January 27, 2017

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

BALANCE SHEET

September 30, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 6,050,840
Receivables:	
Reinsurance receivables	2,666,981
Capitation and supplement receivables	2,067,427
Pharmacy receivable	306,985
Interest receivable	347,859
Due from affiliated companies	1,976,571
Health insurer fee receivable	562,356
Provider advances	872,174
Short-term investments	2,564,108
Prepaid expenses	305,743
TOTAL CURRENT ASSETS	17,721,044
LONG-TERM INVESTMENTS	43,731,466
DEFERRED INCOME TAX ASSET	1,871,991
DEPOSITS	1,840
TOTAL ASSETS	$ 63,326,341

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES	
Payable to providers	$ 21,725,189
Payable to Arizona Health Care Cost Containment System	2,086,523
Accounts payable and accrued expenses	673,295
Income tax payable	2,962,552
Due to affiliated companies	3,877,317
Deferred revenue	3,796,127
TOTAL CURRENT LIABILITIES	35,121,003
STOCKHOLDER'S EQUITY	
Common stock - $1 par value; 100 shares authorized, issued and outstanding at September 30, 2016	100
Additional paid in capital	22,799,900
Retained earnings	5,080,541
Accumulated other comprehensive income	324,797
TOTAL STOCKHOLDER'S EQUITY	28,205,338
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 63,326,341

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

STATEMENT OF COMPREHENSIVE INCOME

Year Ended September 30, 2016

OPERATING REVENUES	
Capitation premiums	$ 244,031,264
Reinsurance	6,443,967
Health insurer fee premium revenue	802,458
Other	256,591
TOTAL OPERATING REVENUES	251,534,280
HEALTH CARE EXPENSES	
Hospitalization	21,392,140
Medical compensation	14,946,402
Ancillary and other medical services	28,669,085
Institutional	157,178,757
TOTAL HEALTH CARE EXPENSES	222,186,384
GENERAL AND ADMINISTRATIVE EXPENSES	21,663,472
HEALTH INSURER FEE	1,159,147
PREMIUM TAX EXPENSE	4,271,986
TOTAL EXPENSES	249,280,989
NONOPERATING INCOME	
Interest income	745,915
NET INCOME BEFORE INCOME TAXES	2,999,206
PROVISION FOR INCOME TAXES	1,228,898
NET INCOME	$ 1,770,308
OTHER COMPREHENSIVE INCOME	
Unrealized gains on securities available for sale, net of tax	324,797
TOTAL COMPREHENSIVE INCOME	$ 2,095,105

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Year Ended September 30, 2016

	Limited Liability Company		C Corporation				
	Member's Equity	Retained Earnings	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Member's equity, September 30, 2015	$ 22,800,000	$ 3,310,233	$ -	$ -	$ -	$ -	$ 26,110,233
Conversion from a limited liability company to a C corporation (see Note 1)	(22,800,000)	(3,310,233)	100	22,799,900	3,310,233	-	-
Stockholder's equity, October 9, 2015	$ -	$ -	$ 100	$ 22,799,900	$ 3,310,233	$ -	$ 26,110,233
Net income for the year ended September 30, 2016	-	-	-	-	1,770,308	-	1,770,308
Unrealized gain on securities available for sale, net of tax	-	-	-	-	-	324,797	324,797
Balance, September 30, 2016	$ -	$ -	$ 100	$ 22,799,900	$ 5,080,541	$ 324,797	$ 28,205,338

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 1,770,308
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	59,249
Change in deferred income taxes	851,746
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Reinsurance receivables	(794,705)
Capitation and supplement receivables	1,358,239
Pharmacy receivable	427,338
Interest receivable	(338,105)
Health insurer fee receivable	157,594
Provider advances	(590,829)
Prepaid expenses	177,920
Increase (decrease) in:	
Payable to providers	(3,492,866)
Payable to Arizona Health Care Cost Containment System	869,323
Accounts payable and accrued expenses	(415,500)
Income tax payable	571,938
Due to/from affiliated companies	1,801,141
Deferred revenue	3,796,127
Other non-current liability	(761,155)
Net cash provided by operating activities	5,447,763
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(44,470,777)
Purchases of property and equipment	(1,438,673)
Net cash used in investing activities	(45,909,450)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(40,461,687)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	46,512,527
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,050,840
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Income taxes paid	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Transfer of property and equipment to a related party, settled through the due to/from affiliated companies	$ 1,745,736
Unrealized gains on securities available for sale	$ 324,797

In October 2016, the Company converted from a limited liability company to a C corporation, resulting in the issuance of 100 shares of common stock with a par value of $1.

See Notes to Financial Statements

BRIDGEWAY HEALTH SOLUTIONS
OF ARIZONA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

(1) <u>Organization, operations, and summary of significant accounting policies</u>

Nature of operations - Effective May 16, 2006, Bridgeway Health Solutions of Arizona, LLC, was incorporated in the State of Arizona. Located in Tempe, Arizona, Bridgeway is a managed care organization and is wholly owned by Centene Corporation ("Centene"). Bridgeway was initially funded through a $5,000,000 capital contribution from Centene. Effective October 9, 2015, the corporate structure of Bridgeway was changed from a limited liability company to a C corporation in accordance with the requirements of the contract with AHCCCS. The name was concurrently changed to Bridgeway Health Solutions of Arizona, Inc. (together with Bridgeway Health Solutions of Arizona, LLC, the "Company" or "Bridgeway") The Board of Directors authorized the issuance of 100 shares of common stock with a par value of $1. All shares are owned by Centene, the sole member of the former limited liability company.

In 2006, Bridgeway was awarded an Arizona Long-Term Care System ("ALTCS") contract with the Arizona Health Care Cost Containment System ("AHCCCS") which commenced October 1, 2006. The contract year for the ALTCS contract is the period from October 1 through September 30. In accordance with the contract, Bridgeway is designated as a Program Contractor for Maricopa, Cochise, Gila, Graham, Greenlee and Pinal counties.

In 2008, Bridgeway was awarded an Acute Care contract with AHCCCS which commenced October 1, 2008. In accordance with this contract, Bridgeway was designated as a Program Contractor for Yavapai County. The contract expired September 30, 2013; however, revenues and expenses continue to be recorded as applicable to this contract

Effective January 1, 2008, Bridgeway began offering a Medicare Advantage Plan ("Medicare Advantage") through a contract with the Centers for Medicare and Medicaid Services ("CMS"). The contract year for the Medicare Advantage contract is January 1 through December 31. Medicare Advantage offers medical and prescription drug benefits to qualified members. Medicare Advantage operates as a special needs plan under CMS guidelines. The populations covered under Medicare Advantage are members who are eligible for both Medicare and Medicaid coverage. Virtually all of the members of Medicare Advantage receive their Medicaid benefits through an AHCCCS health plan.

Bridgeway functions as a health management organization and, except for member services functions and limited utilization management functions, does not provide direct healthcare services to eligible members. Direct healthcare services are provided to eligible members by a network of subcontracted providers. Substantially all of Bridgeway's revenues are from its contracts with AHCCCS and CMS.

The Financial Accounting Standards Board ("FASB") sets accounting principles generally accepted in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the *FASB Accounting Standards Codification* ("FASB ASC").

The significant accounting policies followed by Bridgeway are as follows:

Basis of presentation – The accompanying financial statements have been prepared in accordance with FASB Accounting Standards Codification ("ASC") 954-205, *Health Care Entities – Presentation of Financial Statements*.

(1) Organization, operations, and summary of significant accounting policies (continued)

Management's use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Capitation premiums - Bridgeway receives fixed capitation payments from AHCCCS and CMS, based on certain rates for each member enrolled with Bridgeway. As of September 30, 2016, Bridgeway received approximately $3,800,000 of capitation payments in advance. When paid in advance, these amounts are recorded to deferred revenue. Bridgeway is required to provide all covered health care services to their members, regardless of the cost of care. If there are funds remaining, Bridgeway retains the funds as profit; if the costs are higher than the amount of revenue earned from AHCCCS and CMS, Bridgeway absorbs the loss. Capitation premiums are recognized in the month that enrollees are entitled to health care services. Certain provisions of the AHCCCS ALTCS contract include a risk band whereby Bridgeway and the AHCCCS program share in the profits and losses of the contract, as defined in the contract (reconciliation revenue). Bridgeway has recorded an estimate of the reconciliation revenue, within capitation premiums, based on the operational performance of the AHCCCS ALTCS line of business. Bridgeway may recover certain losses for those cases eligible for reinsurance payments. Capitation premiums are recognized in accordance with Bridgeway's contracts with AHCCCS and CMS.

Capitation is paid prospectively as well as for prior period coverage ("PPC"). The PPC period is generally from the effective date of eligibility to the day a member is enrolled with a contracted health plan. The risk under PPC is shared by both Bridgeway and AHCCCS. AHCCCS reconciles the actual PPC medical costs to the PPC capitation paid during the contract year. The ALTCS reconciliation limits the contractor's profits and losses on PPC to 5% for the contract year ended September 30, 2016. Additionally, as of September 30, 2016, the Company has recorded payables to AHCCCS of approximately $317,000 for the PPC ALTCS reconciliation for the 2016 contract year and approximately $250,000 for the 2015 contract year, which are included in payable to AHCCCS. Actual results may differ from this estimate and such differences will be recorded in the period in which they are identified.

The contractor's ALTCS capitation rate is based in part on the assumed ratio ("mix") of Home and Community Based Services ("HCBS") member months to the total number of member months (i.e. HCBS + institutional). At the end of the contract year, AHCCCS will compare the *actual percent of* HCBS member months to the *assumed* HCBS percentage that was used to calculate the full long term care capitation rate for that year. If the contractor's actual HCBS percentage is different than the assumed percentage, AHCCCS may recoup (or reimburse) the difference between the institutional capitation rate and the HCBS capitation rate for the number of member months which exceeded (or was less than) the assumed percentage. This reconciliation will be made in accordance with the following schedule:

Percent Over/Under Assumed Percentage	Amount to be Recouped or Reimbursed
0 – 1%	0% of capitation over/under payment
> 1%	50% of capitation

As of September 30, 2016, the Company recorded an estimated receivable of approximately $21,000 for the HCBS reconciliation which is included in capitation and supplement receivables at September 30, 2016.

(1) Organization, operations, and summary of significant accounting policies (continued)

Capitation and supplement and reconciliation receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to capitation and supplement and reconciliation receivables. Capitation and supplement and reconciliation receivables at September 30, 2016 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Health insurer fee - Under the Patient Protection and Affordable Care Act (“ACA”), Bridgeway qualifies as a covered entity of a controlled group engaged in providing health insurance for U.S. health risks. Centene is the designated entity of the controlled group and must pool the premiums of all its subsidiaries to calculate its premium for purposes of determining its share of the health insurer fee under ACA provision 9010. This fee is effective for entities providing health insurance on or after January 1, 2014. Each covered entity must report its net premiums written for health insurance of U.S. health risks during the previous year to the IRS by April 15th of the year the fee is due.

The annual fee equals net premiums written for health insurance U.S. health risks during the applicable “fee year” divided by aggregate net premiums written for all covered entities during the applicable "fee year" multiplied by the annual applicable amount. Each health insurer’s fee is a proportionate share of the total for all health insurers.

As the designated entity of the controlled group, Centene passes the fee down to its subsidiaries based on an allocation of net premiums written. The health insurer fee is considered an excise tax and thus is nondeductible for income tax purposes. Centene paid approximately $1,100,000 to the IRS on behalf of Bridgeway in September 2016 for the calendar year ended December 31, 2016. At September 30, 2016, approximately $273,000 of health insurer fees are included in prepaid expenses in the accompanying balance sheet.

AHCCCS has agreed to reimburse the health insurers for this fee and applicable taxes through adjustments to capitation rates. No such adjustments are made for the Medicare Advantage plan. For the year ended September 30, 2016, Bridgeway recognized approximately $802,000 in health insurer fee premium revenue. As of September 30, 2016, Bridgeway has recorded a receivable of approximately $562,000 for health insurer fee capitation rate adjustments related to the fee paid in 2016.

Medicare Advantage Risk Adjustments - Under the Company’s Medicare Advantage Plan, CMS deploys a risk adjustment model that retroactively apportions Medicare premiums paid according to health severity and certain demographic factors. The model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, physician treatment settings as well as prescription drug events. The Company estimates the amount of risk adjustment based upon the diagnosis and pharmacy data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis. At September 30, 2016, the Company recorded an estimated receivable of approximately $107,000 due from CMS for the risk adjustment for calendar year 2016 which was included in capitation and supplement receivables.

(1) Organization, operations, and summary of significant accounting policies (continued)

Medicare Part D risk share settlement - The risk share settlement includes expected payments to be paid to or received from CMS in connection with the pharmacy component of Medicare Advantage, Medicare Part D. This balance is reviewed and monitored by management and adjusted as necessary as experience develops or new information becomes available. Such adjustments are netted against the capitation premiums on the statement of comprehensive income. At September 30, 2016, Bridgeway recorded an estimated payable of approximately $289,000 due to CMS for the Medicare Part D reconciliation for calendar year 2016 and a receivable of approximately $226,000 due from CMS for calendar year 2015 which are included in capitation and supplement receivables.

Cost settlement for primary care payment parity - The ACA requires that Contractors pay qualified primary care providers (and other providers specified in ACA) fees that are no less than the Medicare fee schedule in effect for 2013 and 2014, or the fee schedule rate that would result from applying the 2009 Medicare conversion factor, whichever is greater, for certain services designated by specific Current Procedural Terminology (“CPT”) codes. AHCCCS has developed an enhanced fee schedule containing the qualifying codes using the 2009 Medicare conversion factor in compliance with the greater-of requirement. The enhanced payments apply only to services provided on and after January 1, 2013 by qualified providers, who self-attest to AHCCCS as defined in the federal regulations.

The Company was required to reprocess all qualifying claims for qualifying providers back to January 1, 2013 dates of service with no requirements that providers re-submit claims or initiate any action. In the event that a provider retroactively loses his/her qualification for enhanced payments, the Contractor is required to identify impacted claims and automatically reprocess for the recoupment of enhanced payments. This reprocessing will be conducted by the Contractor without requirement of further action by the provider.

AHCCCS makes cost-settlement payments to the Contractor based upon adjudicated/approved encounter data. The Contractor is required to refund payments to AHCCCS for any reduced claim payments in the event that a provider is subsequently “decertified” for enhanced payments due to audit or other reasons. As of September 30, 2016, approximately $1,460,000 was due from AHCCCS for these cost-settlement payments based upon adjudicated/approved encounter data, which is included in capitation and supplement receivables.

Share of costs - Bridgeway’s members covered under the ALTCS program who do not meet certain eligibility criteria are required to pay for a portion of the care they receive. AHCCCS reduces the contracted capitation rate with Bridgeway by the estimated amount of participant shared costs. After contract year end, AHCCCS analyzes the amount that Bridgeway should have received from members for share of costs. If Bridgeway receives less money from the participants in payment of their share of the costs than AHCCCS anticipated, AHCCCS reimburses Bridgeway for the difference. If Bridgeway receives more money from the participants in payment of their share of the costs than AHCCCS anticipated, Bridgeway reimburses AHCCCS for the difference. As of September 30, 2016, Bridgeway had approximately $542,000 due from AHCCCS related to share of cost, which is included in the capitation and supplement receivables.

Share of cost receivables/payables are based on assumptions and estimates, and while management believes the receivables/payables are reasonable, the ultimate share of cost payment may be less than or in excess of the amount estimated once AHCCCS completes the contract reconciliations.

(1) Organization, operations, and summary of significant accounting policies (continued)

Reinsurance revenue - AHCCCS provides a stop-loss reinsurance program for Bridgeway for partial reimbursement of reinsurable covered medical services incurred for members. The program includes a deductible, which varies based on Bridgeway's enrollment and the eligibility category of the members. AHCCCS reimburses Bridgeway based on a coinsurance amount for reinsurable covered services incurred above the deductible. Coinsurance percentages vary by nature of the claim for Medicare claims. Bridgeway contracts with a commercial reinsurer to provide reinsurance for the Medicare Advantage Plan. Reinsurance revenue is stated at the actual and estimated amounts due to Bridgeway pursuant to the ALTCS and Medicare Advantage Plan contracts.

Below are the reinsurance thresholds by line of business:

Line of Business	Annual Deductible Per Contract Year	Coinsurance
ALTCS with Medicare	20,000	75%
ALTCS without Medicare	30,000	75%
Medicare Advantage	1,250,000	various

To be eligible for reinsurance billing, qualified healthcare expenses must be incurred during the contract year. Reinsurance revenue is recorded based on actual billed reinsurance claims and expected reinsurance for claims not yet paid. Reinsurance revenue is subject to review by AHCCCS, and as a result, there is at least a reasonable possibility that recorded reinsurance revenue will change by a material amount in the near future.

Reinsurance receivables represent the expected payment from AHCCCS to Bridgeway for certain enrollees whose qualifying medical expenses paid by Bridgeway were in excess of specified deductible limits. Reinsurance receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to reinsurance receivables. Management considers reinsurance receivables to be fully collectible as of September 30, 2016 and, accordingly, an allowance for doubtful accounts is not considered necessary.

Contractor performance incentives - AHCCCS subjects 1% of gross prospective capitation of ALTCS contractors in Arizona to measurements based on each contractor's performance on selected Quality Management Performance Measures as determined by AHCCCS. The program is an effort to encourage activity for AHCCCS contractors in the area of quality improvement, particularly those initiatives that are conducive to improved health outcomes and cost savings. As of September 30, 2016, Bridgeway has recorded a liability, included in the payable to AHCCCS in the accompanying balance sheet, of approximately $1,359,000 as a reserve for the potential that required measurements are not met.

(1) Organization, operations, and summary of significant accounting policies (continued)

Cash and cash equivalents - Cash includes cash deposits in banks and cash equivalents. Bridgeway considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Accounts at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC"). As of September 30, 2016 cash and cash equivalents consisted of cash, commercial paper and certificates of deposit with original maturities of three months or less. Commercial paper and certificates of deposit totaled approximately $1,302,000 at September 30, 2016.

Pharmacy receivable - Bridgeway receives rebates from its pharmacy benefit manager based on the volume of drugs purchased. Bridgeway records a receivable and a reduction of medical expenses for estimated rebates due based on purchase information. Pharmacy rebates totaled approximately $1,113,000 for the year ended September 30, 2016, which are included as reductions in ancillary and other medical services in the accompanying financial statements. As of September 30, 2016, management believes the pharmacy receivable balances are fully collectible and accordingly, an allowance has not been established.

Provider advances - Upon request, Bridgeway, in accordance with AHCCCS contract limitations, may advance monies to high-volume providers based on cash flow needs and timing of claims payments. Advances are stated at the amount management expects to collect or offset against future claims. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to provider advances receivable. At September 30, 2016 management believes the provider advances are fully collectible and accordingly, an allowance has not been established.

Investments - Investments at September 30, 2016 are classified, and accounted for, as follows:

Available-for-Sale: Government, corporate and asset-backed bonds, notes, and certificates are classified as available-for-sale when Bridgeway anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value and reported as a separate component of stockholder's equity, net of income tax effects. Unrealized gains and losses on securities available for sale are recognized as direct increases or decreases in other comprehensive income. For the year ended September 30, 2016, Bridgeway recognized approximately $325,000 of unrealized gains, net of tax effect of approximately $198,000, on securities available for sale which has been recorded in the accompanying statement of changes in stockholder's equity. Cost of securities sold is recognized using the specific identification method.

Held-to-Maturity: Investments classified as held to maturity are carried at amortized cost, and consist primarily of municipal bonds that Bridgeway has the positive intent and ability to hold to maturity. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. Bridgeway monitors the difference between the cost and fair value of investments. There were no realized or unrealized gains or losses on securities held to maturity for the year ended September 30, 2016.

Investments that experience a decline in value that is judged to be other than temporary are written down to fair value and a realized loss is recorded in investment and other income. To calculate realized gains and losses on the sale of investments, Bridgeway uses the specific amortized cost of each investment sold.

(1) Organization, operations, and summary of significant accounting policies (continued)

Property and equipment - Property and equipment was recorded at cost. Maintenance and repairs are charged to operations when incurred. Individual additions and improvements in excess of $5,000 and group purchases in excess of $30,000 were capitalized. When property and equipment was sold or otherwise disposed of, the asset account and related accumulated depreciation account was relieved and any gain or loss was included in operations. Depreciation was computed using the straight-line method.

On January 1, 2016, Bridgeway transferred all property and equipment, at net book value, to Centene Management Company ("CMC") in accordance with the management agreement executed between Bridgeway and CMC. The transfer of the property and equipment was recorded as a reduction in the due to to/from affiliated companies in 2016. Depreciation expense charged to operations was $59,249 for the period from October 1, 2015 through December 31, 2015.

Payable to providers - Bridgeway compensates providers for authorized healthcare services to covered beneficiaries. Bridgeway uses a variety of methods to estimate the amount payable to providers including authorizations for services to be provided, payments to be made under contract arrangements currently in force, and correspondence with significant providers to ascertain the level of care being provided to beneficiaries for which a claim has not yet been submitted.

The liability for payable to providers includes estimates of amounts due on reported claims and claims that have been incurred but were not reported as of September 30, 2016. Such liabilities represent Bridgeway's best estimate of amounts that are reasonable and adequate to discharge Bridgeway's obligations for claims incurred but unpaid as of September 30, 2016. Such estimates are, however, subject to a significant degree of inherent variability. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

The estimate for unreported services payable is developed using methods based on historical experience. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and adjustments are reflected in each period when necessary.

Healthcare service cost recognition - Bridgeway contracts with various at-risk providers for the provision of a full range of healthcare services to eligible members under fee-for-service agreements. Fee for service expenses are accrued as incurred.

Expense allocation - Certain direct, indirect and administrative expenses are incurred which benefit more than one member type or county. Such common expenses are allocated based upon an AHCCCS approved cost allocation plan as submitted by Bridgeway, which is primarily based upon enrollment, claims and costs by lines of business.

Advertising costs - Bridgeway uses advertising, within AHCCCS and CMS guidelines, to promote its programs among the communities it serves. Advertising costs are expensed as incurred, and are included in general and administrative expenses on the statements of operations. Advertising expense for the year ended September 30, 2016 was approximately $73,000.

Income taxes - Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

(1) Organization, operations, and summary of significant accounting policies (continued)

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date of the tax rate change.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, Bridgeway considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior year carryback periods and tax planning strategies.

Bridgeway's policy is to classify income tax penalties and interest as income tax expense in its financial statements. During the year ended September 30, 2016, Bridgeway incurred no penalties or interest.

Bridgeway evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Bridgeway is subject to a 2% premium tax on all payments received from AHCCCS for premiums, reinsurance, and reconciliations. Total premium tax expense for the year ended September 30, 2016 was $4,271,986. At September 30, 2016, premium taxes payable totaled approximately $15,000 and is included in accounts payable and accrued expenses in the accompanying balance sheet.

Fair value measurements - FASB ASC 820, *Fair Value Measurements,* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Recent accounting pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

(1) Organization, operations, and summary of significant accounting policies (continued)

In August 2015, the FASB issued FASB ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. Bridgeway is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. Bridgeway has elected to early adopt ASU 2015-17 for 2016. As a result, Bridgeway has reflected its deferred tax assets as noncurrent in the accompanying balance sheet as of September 30, 2016.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of operations and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Bridgeway is currently evaluating the effect that the adoption of this standard will have on the financial statements.

Subsequent events - Bridgeway has evaluated events through January 27, 2017, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the date of the balance sheet that would require adjustment to, or disclosure in, the financial statements.

(2) Contract performance bond

In accordance with the terms of its contract with AHCCCS, Bridgeway is required to post performance bonds equal to 80% of the first monthly payment to Bridgeway each fiscal year based on gross capitation payments, as specified in the contract. The amount of the bonds is subject to adjustment as certain conditions change and its method of calculation is specified in the contract. The performance bonds must be maintained to guarantee payment of Bridgeway's obligations under the contract. The total AHCCCS performance bond requirement for 2016 was met through the annual purchase of a surety bond in the amount of $14,000,000. To meet AHCCCS requirements for Medicare plans, Bridgeway purchased and posted a performance bond in the amount of $2,000,000 for 2016 for the Medicare Advantage plan.

(3) Investments

Investments have been classified according to management's intent. The amortized cost of investments and their approximate fair values are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments held-to-maturity				
Municipal bonds	$ 1,500,000	$ -	$ -	$ 1,500,000
Investments available-for-sale				
Asset-backed	1,536,757	13,394	-	1,550,151
Mortgage-backed	1,012,547	794	(167)	1,013,174
Corporate bonds	23,326,525	354,878	(2,686)	23,678,717
Municipal bonds	18,397,163	163,956	(7,587)	18,553,532
Total	$ 44,272,992	$ 533,022	$ (10,440)	$ 44,795,574

The following is a summary of maturities of investments held-to-maturity and available-for-sale as of September 30, 2016:

	Investments held-to-maturity		Investments available-for-sale	
Amounts maturing in:	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ -	$ -	$ 2,563,610	$ 2,564,108
After one year through five years	820,000	820,000	26.957,364	27,202,951
After five years through ten years	680,000	680,000	14,752,018	15,028,515
Total	$ 1,500,000	$ 1,500,000	$ 44,272,992	$ 44,795,574

The Company regularly evaluates its investments for impairment. The Company considers factors affecting the issuer, factors affecting the industry the issuer operates within, and general debt and equity market trends. The Company considers the length of time an investment's fair value has been below carrying value, the severity of the decline, the near term prospects for recovery to cost, and the Company's intent and ability to hold the investment until maturity or market recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other than temporary, the related investment is written down to its estimated fair value through a charge to realized losses on investments. For the year ended September 30, 2016, there was no other than temporary impairments of investments.

(4) Fair value measurements

The following table summarizes the valuation of Bridgeway's assets subject to recurring fair value measurement by the above FASB ASC 820 categories as of September 30, 2016:

	Total	Level 1	Level 2	Level 3
Asset-backed	$ 1,550,151	$ -	$ 1,550,151	$ -
Mortgage-backed	1,013,174	-	1,013,174	-
Corporate bonds	23,678,717	-	23,678,717	-
Municipal bonds	18,553,532	-	18,553,532	-
Total	$ 44,795,574	$ -	$ 44,795,574	$ -

(5) Income taxes

Federal income tax returns are filed on a consolidated basis with Centene, the parent corporation, and other subsidiaries. A provision for income taxes has been provided for under a separate return method. This results in each component company of the consolidated group showing tax provision solely on the results of its own operations and respective effective tax rate. The effective tax rate is different than the amount that would be computed by applying the United States corporate income tax rate to the income before income taxes. These differences are a result of multiple items, including permanent book/tax differences and state tax filings.

Current taxes which would have been due on a separate company basis have either been paid to or will be paid to the parent company. Deferred income tax assets and liabilities are computed based upon cumulative temporary differences in financial reporting and taxable income based on enacted tax law in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets result primarily from reserves established for financial reporting purposes that are not deductible for tax purposes.

Income tax benefits provided by the Company to the consolidated group as a result of utilizing operating losses will be reimbursed by the parent corporation pursuant to a signed agreement between the companies. The income tax provision consists of the following for the year ended September 30, 2016:

Current provision:	
Federal	$ 488,169
State and local	83,767
Total current provision	571,936
Deferred expense	656,962
Total provision for income taxes	$ 1,228,898

The components of deferred income tax assets (liabilities) included in the accompanying balance sheet are as follows:

Deferred income tax assets (liabilities):	
Loss reserves	$ 1,723,110
Prepaid insurance	(1,009)
Unearned revenue	284,624
Unrealized gain	(194,786)
Accrued liabilities	60,052
Net deferred tax assets	$ 1,871,991

(6) Related-party transactions

On January 1, 2016, Bridgeway and CMC entered into a management agreement whereby CMC agrees to manage the general and administrative function of Bridgeway inclusive of payroll, facilities, and other administrative expenses. The management agreement renews annually unless amended or terminated by either party. In exchange for the management services, Bridgeway pays CMC a fee based on specified percentages of the contract revenue earned by Bridgeway. Bridgeway recorded management fees per the management agreement of approximately $13,358,000 for the year ended September 30, 2016. This amount is included in general and administrative expenses in the accompanying statement of comprehensive income. As of September 30, 2016, unpaid management fees totaled approximately $607,000 which is included in due to affiliated companies in the accompanying balance sheet.

Under the provisions of the contract with AHCCCS, distributions to stockholders may be paid only with prior approval of AHCCCS. For the year ended September 30, 2016 there were no distributions declared and paid.

Envolve Pharmacy Solutions, Inc. (formerly known as US Script), an affiliated company wholly owned by Envolve Holdings, Inc. which is wholly owned by Centene, provides pharmacy benefit management services to eligible enrollees. Bridgeway paid Envolve Pharmacy Solutions, Inc. approximately $13,400,000 for these services for the year ended September 30, 2016. Claims encounters are submitted to AHCCCS and CMS to substantiate these payments. Envolve Pharmacy Solutions, Inc. also receives an administration fee from Bridgeway for administering the pharmacy claims processing. For the year ended September 30, 2016 these administration fees approximated $537,000. This amount is included in ancillary and other medical services in the accompanying statement of comprehensive income.

Cenpatico Behavioral Health, LLC (Cenpatico), an affiliated company wholly owned by Envolve Holdings, Inc. which is wholly owned by Centene, provides a network and manages the behavioral health benefits for eligible enrollees utilizing behavioral health services. Bridgeway paid Cenpatico approximately $744,000 for these services during the year ended September 30, 2016. This amount is included in ancillary and other medical services in the accompanying statement of comprehensive income.

Envolve Vision, Inc. (formerly known as OptiCare), an affiliated company wholly owned by Envolve Holdings, Inc. which is wholly owned by Centene, provides a vision network and manages the vision benefits for eligible enrollees. Bridgeway paid Envolve Vision, Inc. approximately $97,000 for these services during the year ended September 30, 2016. This amount is included in ancillary and other medical services in the accompanying statement of comprehensive income.

Envolve Dental, Inc. (formerly known as Dental Health and Wellness), an affiliated company wholly owned by Envolve Holdings, Inc. which is wholly owned by Centene, provides dental services for eligible enrollees. Bridgeway paid Envolve Dental, Inc. approximately $220,000 for these services during the year ended September 30, 2016. This amount is included in ancillary and other medical services in the accompanying statement of comprehensive income

Envolve PeopleCare, Inc. (formerly known as Nurtur and Nursewise), an affiliated company wholly owned by Envolve Holdings, Inc. which is wholly owned by Centene, provides disease management, nurse triage, and call center services to eligible enrollees. Bridgeway paid Envolve PeopleCare, Inc. approximately $402,000 for these services during the year ended September 30, 2016. This amount is included in ancillary and other medical services in the accompanying statement of comprehensive income.

(7) Retirement plan

Bridgeway participates in the retirement plan of its parent company, Centene. Centene has a defined contribution plan which covers substantially all of its employees who work at least 1,000 hours in a twelve consecutive month period and are at least twenty-one years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portion of the employees' contribution. Bridgeway's expense related to matching contributions to the plan was approximately $162,000 for the year ended September 30, 2016.

(8) Commitments and contingencies

Operating Leases - Bridgeway leases office space in Arizona for its headquarters and various satellite offices and leases certain equipment. These operating lease agreements expire at various dates through May 2023. Certain operating leases contain escalation provisions. The rental expense related to these leases is recorded on a straight-line basis over the lease term, including rent holidays.

In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future payments under these non-cancelable operating leases as of September 30, 2016 are as follows:

Years Ending September 30,	
2017	$ 946,326
2018	639,063
2019	490,758
2020	490,363
2021	488,056
Thereafter	818,769
Total minimum lease payments	$ 3,873,335

Rent expense was approximately $125,000 for the year ended September 30, 2016. Effective January 1, 2016, rent expense for leases entered into by Bridgeway is covered by CMC through the management agreement (see Note 6).

Liability insurance - Bridgeway, through Centene, maintains professional and general liability insurance. The professional liability coverage is written on a claims made basis and insures losses up to $15,000,000 with a self-insured retention of $5,000,000. There is an umbrella policy over the professional liability coverage with a limit of $15,000,000. The general liability insurance is written on an occurrence basis and insures losses up to $1,000,000 per claim and $2,000,000 in the aggregate. There is also an umbrella policy over the general liability insurance with a limit of $25,000,000. Claims reported endorsement (tail coverage) is available if the professional policy is not renewed to cover claims incurred but not reported. Bridgeway anticipates that renewal coverage will be available at the expiration of the current policy. Bridgeway participates in the above policy with its affiliates. Per claim and aggregate limits are applicable to all covered entities as a group.

Litigation - Periodically, Bridgeway may be involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial.

(8) Commitments and contingencies (continued)

Healthcare regulation - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Bridgeway is in compliance with fraud and abuse laws and regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

Health reform legislation at both the federal and state levels continues to evolve. Changes continue to impact existing and future laws and rules. Such changes may impact the way the Company does business, restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase medical, administration and capital costs, and expose the Company to increased risk of loss or further liabilities. The Company's operating results, financial position and cash flows could be adversely impacted by such changes.

(9) Contract requirements

In accordance with its contracts with AHCCCS and CMS, Bridgeway is required to maintain certain minimum financial reporting and viability measures.

Pursuant to its ALTCS contract with AHCCCS, Bridgeway must meet a minimum capitalization requirement based on the number of members enrolled. As of September 30, 2016, Bridgeway was in compliance with this requirement.

Bridgeway's contract with AHCCCS contains various quarterly financial viability standards and performance guidelines. As of September 30, 2016, Bridgeway was in compliance with these requirements.

Should Bridgeway be in default of any material obligations under its contracts with AHCCCS, AHCCCS may, at its discretion, in addition to other remedies, either adjust the amount of future payment or withhold future payment until they have received satisfactory resolution of the default or exception. In addition, although it has not expressed an intention to do so, AHCCCS has the right to terminate the contracts in whole or in part without cause by giving Bridgeway 90 days written notice. Further, if monies are not appropriated by the state or are not otherwise available, the contracts with AHCCCS may be cancelled upon written notice until such monies are so appropriated or available.

During contract year 2016, Bridgeway was sanctioned by AHCCCS under the ALTCS contract for failing to comply with Medicare service area expansion requirements. For the year ended September 30, 2016, these sanctions totaled approximately $60,000 and are included in general and administrative expenses in the accompanying statement of comprehensive income.

(10) Concentration of credit risk

Future contract awards are contingent upon the continuation of the AHCCCS ALTCS program by the State of Arizona and Bridgeway's ability and desire to retain its status as a contractor under this program. The ALTCS contract expired on September 30, 2011 and was renewed for three years through a reprocurement process with two additional one year renewal options. The ALTCS contract was again extended for one additional year through September 30, 2017. The Medicare Advantage contract is renewed annually by CMS. Bridgeway management expects the contracts with AHCCCS and CMS to be renewed through the respective renewal processes. If either contract is not renewed, Bridgeway's operations would be materially impacted.

SUPPLEMENTAL INFORMATION

3101 N. Central Ave., Suite 300 ■ Phoenix, AZ 85012
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

We have audited the financial statements of ***Bridgeway Health Solutions of Arizona, Inc.*** as of and for the year ended September 30, 2016, and our report thereon dated January 27, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information on pages 23 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are required in accordance with the AHCCCS contract. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
January 27, 2017

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

SUPPLEMENTAL BALANCE SHEET

September 30, 2016

A S S E T S

	ALTCS	Acute	Medicare	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 5,782,163	$ 268,677	$ -	$ 6,050,840
Receivables:				
Reinsurance receivables	2,666,981	-	-	2,666,981
Capitation and supplement receivables	2,022,995	-	44,432	2,067,427
Pharmacy receivable	3,481,413	9,310	(3,183,738)	306,985
Interest receivable	347,859	-	-	347,859
Due from affiliated companies	1,976,571	-	-	1,976,571
Health insurer fee receivable	562,356	-	-	562,356
Provider advances	600,743	-	271,431	872,174
Short-term investments	2,564,108	-	-	2,564,108
Prepaid expenses	144,724	-	161,019	305,743
TOTAL CURRENT ASSETS	20,149,913	277,987	(2,706,856)	17,721,044
LONG-TERM INVESTMENTS	43,731,466	-	-	43,731,466
DEFERRED INCOME TAX ASSET (LIABILITY)	369,878	(3)	1,502,116	1,871,991
DEPOSITS	1,840	-	-	1,840
TOTAL ASSETS	$ 64,253,097	$ 277,984	$ (1,204,740)	$ 63,326,341

L I A B I L I T I E S A N D S T O C K H O L D E R ' S E Q U I T Y

	ALTCS	Acute	Medicare	Total
CURRENT LIABILITIES				
Payable to providers	$ 17,182,228	$ -	$ 4,542,961	$ 21,725,189
Payable to Arizona Health Care Cost Containment System	2,086,523	-	-	2,086,523
Accounts payable and accrued expenses	516,879	7,977	148,439	673,295
Income tax payable (receivable)	8,272,346	(3,786,070)	(1,523,724)	2,962,552
Due to affiliated companies	516,633	26,412	3,334,272	3,877,317
Deferred revenue	-	-	3,796,127	3,796,127
TOTAL CURRENT LIABILITIES	28,574,609	(3,751,681)	10,298,075	35,121,003
STOCKHOLDER'S EQUITY	35,678,488	4,029,665	(11,502,815)	28,205,338
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 64,253,097	$ 277,984	$ (1,204,740)	$ 63,326,341

BRIDGEWAY HEALTH SOLUTIONS OF ARIZONA, INC.

SUPPLEMENTAL STATEMENT OF COMPREHENSIVE INCOME

Year Ended September 30, 2016

	ALTCS	Acute	Medicare	Total
OPERATING REVENUES				
Capitation premiums	$ 200,401,741	$ 20,858	$ 43,608,665	$ 244,031,264
Reinsurance	6,443,967	-	-	6,443,967
Health insurer fee premium revenue	802,458	-	-	802,458
Other	256,591	-	-	256,591
TOTAL OPERATING REVENUES	207,904,757	20,858	43,608,665	251,534,280
HEALTH CARE EXPENSES				
Hospitalization	8,304,384	-	13,087,756	21,392,140
Medical compensation	6,555,355	-	8,391,047	14,946,402
Ancillary and other medical services	15,358,258	14,090	13,296,737	28,669,085
Institutional	157,178,757	-	-	157,178,757
TOTAL HEALTH CARE EXPENSES	187,396,754	14,090	34,775,540	222,186,384
GENERAL AND ADMINISTRATIVE EXPENSES	15,982,847	20,593	5,660,032	21,663,472
HEALTH INSURER FEE	527,169	-	631,978	1,159,147
PREMIUM TAX EXPENSE	4,271,569	417	-	4,271,986
TOTAL EXPENSES	208,178,339	35,100	41,067,550	249,280,989
NONOPERATING INCOME				
Interest income	745,915	-	-	745,915
NET INCOME (LOSS) BEFORE INCOME TAXES	472,333	(14,242)	2,541,115	2,999,206
PROVISION (BENEFIT) FOR INCOME TAXES	127,504	(2,802)	1,104,196	1,228,898
NET INCOME (LOSS)	$ 344,829	$ (11,440)	$ 1,436,919	$ 1,770,308
OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities available for sale, net of tax	324,797	-	-	324,797
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 669,626	$ (11,440)	$ 1,436,919	$ 2,095,105